

# Neighborhood and Economic Development Opportunities Program (NEDO)

## Program Description

The Neighborhood Economic Development Opportunities Program (NEDO) seeks to support activities that nurture and energize neighborhood improvement projects and sustainable economic development opportunities. Since the NEDO Program uses Community Development Block Grant (CDBG) funds, all project activities must meet a national objective to be eligible.

The three national objectives in the CDBG program are:

- (1) benefiting low-and-moderate income (LMI) persons;
- (2) preventing or eliminating slums or blight; and
- (3) meeting other community development needs that are deemed to be urgent because of existing conditions pose a serious and immediate threat to the health and welfare of the community, and other financial resources are not available to meet the need.

Most projects under the NEDO Program will qualify under number

- 1) benefitting low- and moderate-income persons and in some cases
- 2) preventing or eliminating slums or blight.

In order to meet the National Objective of Benefitting LMI persons, the project may do so either directly or on an area-wide benefit.

- ☐ Direct benefits are those activities that serve certain persons. – Must benefit 100% low- and moderate-income persons.
- ☐ Area-wide benefits are those activities that benefit communities and are not participant specific. – Must benefit at least 51% low- and moderate-income persons.

If proposing Economic Development activities, **60% of beneficiaries must be LMI**. Additionally, applicants must ensure that NEDO projects do not benefit moderate-income persons to the exclusion of low-income persons.

## Low- and Moderate-Income (LMI) Households Defined:

Low and moderate-income households in metropolitan areas are defined as those with incomes equal to or less than eighty percent (80%) of the median family income of the metropolitan area. “2020 or the

most current Income Limits,” published by the Department of Housing and Urban Development (HUD), defines income limits for low and moderate-income families per family size for non-metropolitan and metropolitan areas of the state. The document is available on the HUD Exchange Website using this link <https://www.huduser.gov/portal/datasets/il.html>.

The NEDO program will support programs and projects that enhance a neighborhood’s overall quality of life by investing in economic development activities that support anchor neighborhoods of opportunity as defined in the Memphis 3.0 Comprehensive Plan and HCD Consolidated Plan (specifically in ‘Accelerate’ neighborhoods – areas seeing real estate market investment and that have infill opportunities can be accelerated with public and private support, AND ‘Nurture’ anchor neighborhoods – areas with low market demand or experiencing higher vacancy and disinvestment can be nurtured catalytic public investments and incremental improvements. To view the Memphis 3.0 anchor map, go to [http://bit.ly/MEM\\_ANCHOR\\_MAP](http://bit.ly/MEM_ANCHOR_MAP).<sup>1</sup>

The Memphis 3.0 goals and objectives for strengthening neighborhood commercial districts include:

- Develop a small business creation, attraction, and retention strategy to support and strengthen community-oriented retail and services within anchor neighborhoods.
- Pilot tenant attraction efforts in accelerate anchors to build critical mass and experience that can scale to other anchors.
- building improvements, tenant buildouts, and infrastructure improvements needed in anchors.
- Redevelop underutilized commercial properties in anchor neighborhoods
- Adaptive reuse
- Create or expand neighborhood-based entities to assist with and support the revitalization of anchors.
- Improve walkability and multimodal access within and around community and Citywide Anchors to promote local economies and connect neighborhood residents and local businesses.
- Preserve existing businesses in Community Anchors with an emphasis on legacy businesses that have contributed to neighborhood history and identity.
- Promote and leverage tactical urbanism interventions in Community Anchors to stimulate neighborhood commercial activity.
- Buy local campaigns.
- Explore business improvement districts (BIDs) to revitalize and strengthen commercial corridors
- Encourage higher-density commercial and residential development in anchors supported by high frequency transit.
- Target efforts to reduce solid waste generation from large commercial, institutional, and industrial entities.
- Pilot high quality public wireless internet in key anchors and commercial corridors and determine opportunities to scale Citywide.

Projects and/or programs are encouraged to activate vacant and under-used storefronts and real properties to help build local businesses within anchor neighborhoods. Based on the notion that retail

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<sup>1</sup> For more information on how the anchor neighborhoods were identified and other recommendations, please view the full comprehensive plan at [www.memphis3point0.com](http://www.memphis3point0.com).

plays a vital role in revitalizing neighborhoods, NEDO seeks to help build local programs, projects and businesses and increase neighborhoods visibility and vibrancy.

### **NEDO can finance four categories of Projects**

#### **1. Special Economic Development Activities**

- This category of eligible activities is very broad in its ability to assist in large-scale project development and is a very common way of undertaking such activities.
- Activities may be undertaken by non-profit subrecipients or for-profit businesses
- Non-profit subrecipient Activities:
  - Acquire, construct, reconstruct, rehabilitate, or install commercial or industrial buildings, structures, and real property equipment and improvements
  - Possible activities under this category might include things like:
    - Recipient-owned commercial facilities such as a farmer's market;
    - Subrecipient-owned commercial properties, such as an office building or retail plaza; or
    - Purchase or installation of recipient- or subrecipient-owned commercial equipment such as the walk-in freezer or the air-cooling system in a recipient-owned farmers' market.
- For-Profit Business Activities:
  - This category is extraordinarily flexible and permits recipients to provide the for-profit business with a loan, grant, loan guarantee, interest supplement, technical assistance, and other forms of support for any type of activity for which assistance is appropriate to carry out an economic development activity.
    - Activities explicitly prohibited under 24 CFR Part 570.207(a) may not be undertaken. (i.e. buildings where government will be a tenant, general government expenses, political expenses, purchase of furniture, fixture and equipment, fire protection equipment, new housing construction)
  - The assistance to the business must minimize displacement of existing businesses and jobs in the neighborhood.
  - Given the flexibility within this category, there are a huge variety of large-scale activities that may be funded by recipients, including assistance to a business to: Build or renovate their commercial establishment; Increase the amount of working capital (receivable financing, purchase inventory, commercial supplies, etc.); or Clean up or clear the site of their business.

#### **2. Commercial Rehabilitation**

- Certain types of commercial rehabilitation as a rehabilitation activity may be undertaken under this category, rather than a special economic development activity.
- Additional CDBG assistance must be considered under the special economic development activities category discussed above.
- Assistance may be provided to for-profits and non-profits. For-profit property owners are limited in the use of the funding for rehabilitation. For-profits can only use rehab

dollars to improve the exterior and correct code violations on the interior of the structure regarding electrical, plumbing, and HVAC.

3. Public Facilities for Economic Development

- Development of Public Facilities that are specifically related to creating employment and economic opportunities

4. Public Facilities for Neighborhood and Community Facilities

- Development of public facilities including neighborhood and community facility owned by nonprofits and available to the general public.
- Enhanced Public Facilities and Improvements including:
  - i. Acquisition, construction, reconstruction, rehabilitation or installation of public facilities owned by a nonprofit and operated so as to be open to the general public
  - ii. Public improvements, such as streets, sidewalks, parks, water and sewer facilities, sanitary sewers, neighborhood centers.
  - iii. Activities may be directed to the removal of material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to public facilities and improvements.
  - iv. Design features and improvements which promote energy efficiency may be included to these activities. Such activities may also include the execution of architectural design features and similar placemaking treatments intended to enhance the aesthetic quality of facilities and improvements receiving CDBG assistance, such as decorative pavements, railings, sculptures, pools of water and fountains, and other works of art.
  - v. Redevelop underutilized facilities in neighborhoods

Within each Project, the eligible activities include:

1. Acquisition
2. Rehabilitation/Facade Improvements
3. New Construction
4. Clearance/Demolition

All projects must:

- Must comply with CDBG guidelines at 24 CFR Part 570
- Must meet HUD national objectives of benefitting low- and moderate-income residents; or low to moderate income areas.

**CDBG Financial Assistance**

CDBG financial assistance must be in the form of a loan and not a grant.

CDBG loans may be deferred, deferred forgivable, or amortized with low interest. A deferred loan is repaid if the property funded by the program is transferred to another owner. A deferred forgivable loan is proportionally forgiven over an applicable term of recapture. An amortized loan is repaid monthly during the term of the loan. The City's equity position in the development will be secured through a Deferred Lien secured by a Deed of Trust at closing and will be released when the loan is paid off or the term of the compliance period has ended. The loan amount is dependent on program funding availability and the project and will be determined by such factors as the type of development project and the terms set by the other participating lenders. The loan amount and terms will be negotiated before contract execution. An equity investment of 20%-30% of total project cost is required, depending on funding request amount.

## **OTHER FEDERAL REQUIREMENTS**

Selected projects will be subject to the requirements listed below subject to applicability.

### **ENVIRONMENTAL REVIEW**

An Environmental Review is required for each project or program that receives CDBG funding. If the Application is funded, City staff will initiate the review and the agency will be kept informed about the estimated length of time to clear the project.

The Environmental Review process for CDBG funded activities usually (but not always) requires a lower level review, normally can be completed at no cost, and can usually be cleared quickly so as not delay the program start up. However, if an Environmental Assessment or higher level of review is required, the City ensure that the assessment is completed. Depending upon the project location and environmental conditions, projects involving construction, rehabilitation and demolition can take up to 120 days to obtain an environmental clearance. HCD Compliance staff will provide guidance through this process.

### **SECTION 3 REQUIREMENTS**

All housing construction, demolition, rehabilitation and other public construction projects funded with CDBG funds must comply with Section 3 requirements to the greatest extent feasible. The City is committed to improving economic conditions in our community. The City will actively implement Section 3 regulations to direct work paid for by federal funds to Section 3 Residents and to Section 3 Business Concerns. Under the federal regulations, Contractors will satisfy the "greatest extent feasible" requirements by meeting the following numerical goals:

- 30% of all New Hires shall be Section 3 Residents. A New Hire is defined as a new, fulltime employee hired on a permanent, temporary or seasonal basis for a position that is generated from the expenditure of HUD funds covered by the Section 3 regulations. New Hire refers to a person who is not on the Contractor's payroll at the time of award of a Section 3 Covered Contract or at the time of receipt of Section 3 Covered Assistance.
- 30% of the total dollar amount of all covered construction contracts and subcontracts shall be awarded to Section 3 Business Concerns; and
- 3% of the total dollar amount of all covered non-construction contracts shall be awarded to Section 3 Business Concerns. This includes professional service agreements provided that the

work to be performed by the professional is for work generated by the expenditure of the Section 3 Covered Assistance or for work arising in connection with a Section 3 Covered Project.

HCD Compliance staff will provide guidance through this process.

## **ADA ACCESSIBILITY FOR PERSONS WITH DISABILITIES**

The Americans with Disabilities Act (ADA), State Title 24, and the Fair Housing Act prohibit discrimination based on disability. Please be advised that your project will be reviewed for compliance with federal and state laws as they relate to accessibility. Accessibility includes such things as: entrance ramps, parking with universal logo signage, grab bars around commodes and showers, required height for toilet seats, space for wheelchair maneuverability, accessible water fountains and counters, and other improvements needed to assure full access for the disabled, including the blind and deaf. HCD Compliance staff will provide guidance through this process.

## **SECTION 504**

Section 504 focuses on programs not building, therefore any CDBG funded program must accommodate persons with disabilities, this requirement is met when every eligible person including a person with a disability (physical or mental) can fully participate in a CDBG funded program. Structural modifications of existing facilities need to undertake only where other methods are inadequate to ensure that a program is available to persons with disabilities. HCD Compliance staff will provide guidance through this process.

## **DAVIS-BACON LABOR STANDARDS**

Construction work that is financed in whole or in part with CDBG funds is most likely subject to the Federal labor standards requirements, including the Davis-Bacon and Related Acts, for payment of prevailing wages. Additional information is available in the publication Contractor's Guide to Davis-Bacon: Prevailing Wage Requirements for Federally-Assisted Construction Projects. If Davis-Bacon is trigger or any Related Acts project cost may increase. HCD Compliance staff will provide guidance through this process.

## **CONFLICTS OF INTEREST**

Conflicts of interest (or appearance thereof) can plague activities supported with federal funds. The general rule is that no employee, board member, officer, agent, consultant, elected official, or appointed official of the recipients or sub-recipients that are receiving funds under a CDBG assisted program who have responsibilities with respect to the CDBG activities or are in a position to participate in decision making processes or have access to inside information with regard to the activities can obtain a financial interest or benefit from a CDBG assisted activity during their tenure or for one year thereafter (Federal Regulation 24 CFR 570.611). Agencies should maintain a written code of standards of conduct governing the purchase of materials, product, supplies, and services and awarding and administering sub-recipient contracts. Personnel involved in the procurement process must be trained to recognize situations that create conflicts of interest, or the appearance of a conflict of interest.

## **MONITORING**

The Department of Housing and Urban Development (HUD) requires monitoring of sub-recipient/contractors' agencies on an annual basis. Monitoring is a system to evaluate whether sub-recipients are carrying out their CDBG program(s) in compliance with Department of Housing and Urban

Development regulations, the contract terms, and conditions and policies of the City of Memphis, TN Housing and Community Development.

Monitoring is an ongoing process of reviewing performance using agency data to make judgments about the performance, and to assist in improving that performance. The contract compliance monitoring performed by the City is different from an annual audit. Monitoring is not an audit of the agency, but rather is focused on the “program” that is CDBG funded. To meet HUD requirements, the City may conduct an on-site monitoring visit, or in certain instances, the City may conduct a “desktop” monitoring visit, whereby the agency is not visited, and their grant is monitored only by review of the information in City files.

### **Program Monitoring Goals**

- A. To review sub-recipient/contractor agencies to determine if services are being delivered in accordance with contract requirements as to type of services and number of units of service.
- B. To review records of sub-recipient/contractor agencies to determine if systems are in place to properly document the provision of services, client eligibility, and compliance with any other contract requirements.

### **Fiscal Monitoring Goals**

- A. To review sub-recipient/contractor agencies to determine if expenditures of allocated funds are being made in accordance with contract requirements.
- B. To review records of sub-recipient/contractor agencies to determine if systems are in place to properly document financial transactions, the use of allocated funds, use of program income, and any other contract requirements.

### **SUMMARY OF ADDITIONAL CDBG PROGRAM REQUIREMENTS**

- 1. Congress created the CDBG program and numerous federal regulations apply. Applicants that are will be required to execute a contract with the City listing their responsibilities for meeting all federal requirements along with the City.
- 2. If the total amount of Federal funds received by your Agency from all sources exceeds \$500,000 during the fiscal year ending on June 30th, you must prepare a Single Audit in compliance with OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.”
- 3. Affirmative action, nondiscrimination in services and employment practices and ADA requirements apply; certification of a Drug Free Work Place is required.
- 4. Applicants (sub-recipients and contractors) must not be de-barred.
- 5. Funded applicants cannot be indebted to the IRS or to the City of Memphis nor have judgments or liens.
- 6. The City’s Section 3 and MBE/WBE goals must be met to the greatest extent feasible.
- 7. Applicant (sub-recipients and contractors) must have a verifiable DUNS number.
- 8. City and HUD shall have access to the project records and payroll records as set forth in the funding agreement.
- 9. Applicants (sub-recipients) are responsible for Worker's Compensation benefits or claims by employees and must indemnify and hold the City harmless against any and all claims.

10. CDBG funds are reimbursed monthly and based upon required source documentation, i.e. timecards, cancelled checks, receipts, bank statements, etc.
11. Quarterly and Annual performance reports are required
12. Proof of Insurance is required if funding is awarded
13. Sub-recipients will be subject to desk and/or on-site monitoring throughout their contract period.
14. Organizations are strongly discouraged from applying for funds unless they are ready to implement the activity proposed for funding.
15. The City will require that the Applicants (sub-recipient) submit reimbursements on a monthly or quarterly basis in order to meet these criteria.

### **Economic Development – Public Benefit Standards**

Recipients receiving assistance for special economic development projects, must comply with the public benefits standards (24 CFR Part 570.482(e), (f) and (g)). There are two types of public benefit standards as follows:

- Jobs created and retained;
  - Individual Standard – every project – Create/retain 1 Job per \$50,000 CDBG funds
  - Aggregate Standard – average of all projects grantee funds in a program year –
  - Create/retain 1 Job per \$35,000 CDBG funds
- Goods or services provided to LMI persons.
  - Individual Standard – every project - Goods and services to 1 LMI person per \$1,000 CDBG
  - Aggregate Standard - average of all projects grantee funds in a program year – - Goods and services to 1 LMI person per \$350 CDBG

### **EVALUATION CRITERIA**

Applications are reviewed by staff of the Division of Housing and Community Development to determine completeness and eligibility. Applications are further reviewed by a committee of external stakeholders who have expertise in the areas of community and economic development. Applications are reviewed and recommended by means of a competitive evaluation process in accordance with the specific criteria detailed below.

While a well-written application is no guarantee of funding, every effort should be taken to make sure that the application is clear and concise. In addition to completeness and eligibility, the categories below will be used to evaluate applications. The table below outlines the selection criteria, review factors, and maximum points for each criterion.

The individual application score is the primary factor in determining the recommended awards, but other factors that may be considered include, but are not limited to, the income area of the



project areas, an applicant's recent CDBG funding level, geography, and an applicant's fiscal resources.

<b>Selection Criteria</b>	<b>Review Factors</b>	<b>Maximum Points</b>
Completeness of Application	Points will be subtracted for areas not complete and for missing documents	Negative Impact Only
Project Description & Consistency with City Plans	<ul style="list-style-type: none"> <li>• Clear project description/project location provided</li> <li>• Legible map and/or photos provided</li> <li>• Description of anticipated accomplishments and outcomes</li> <li>• Proposed project advances a broader plan/vision, such as Memphis 3.0</li> <li>• Connected to anchor areas identified in Memphis 3.0</li> <li>• Contains innovative or creative elements</li> <li>• Includes economic development activities/impact</li> <li>• Development schedule or schedule for implementation</li> </ul>	35
Capacity and Skills to Execute the Project	<ul style="list-style-type: none"> <li>• Clear explanation of the capacity and skills to execute the project, including past track record or other demonstration of capacity</li> <li>• Describes similar past projects executed and the outcomes</li> <li>• Past MBE/WBE/Section 3 contracting/hiring performance</li> <li>• Project sustainability</li> <li>• Resumes of all key team members</li> <li>• Organizational structure with roles and responsibilities</li> <li>• Statement of qualifications &amp; references for the team</li> </ul>	25
Clarity and Reasonableness of Proposed Costs	<ul style="list-style-type: none"> <li>• Project budget in unlocked excel format</li> <li>• Proposed cost estimates are reasonable</li> <li>• Cost estimates/budget prepared by a certified architect, engineer, contractor, etc. as applicable</li> <li>• Estimates prepared within last six months</li> </ul>	10
Leveraging Other Funding	<ul style="list-style-type: none"> <li>• Sources &amp; uses of funds &amp; flow of funds in an unlocked excel format through term of longest source of funds</li> <li>• Provides information regarding efforts to secure funds</li> </ul>	10

	<ul style="list-style-type: none"> <li>• CDBG support will leverage additional investments</li> </ul>	
Readiness to Proceed	<ul style="list-style-type: none"> <li>• Project eligibility information is complete and accurate</li> <li>• Summary of project readiness contains needed information</li> <li>• Project start date and completion schedule is clearly defined</li> </ul>	10
Financial Capacity	<ul style="list-style-type: none"> <li>• Provides audit and other financial records</li> <li>• Audit is current</li> <li>• Includes explanation of unresolved audit findings, if any, and corrective actions</li> </ul>	10
Bonus Points	<ul style="list-style-type: none"> <li>• Includes Green Building or retrofit standards</li> <li>• Is located in a high frequency transit corridor</li> </ul>	5
Total Points	<ul style="list-style-type: none"> <li>• </li> </ul>	105